

Independent Rates Oversight Committee (IROC)

March 17, 2014

MINUTES

1. **Roll call**

Chairwoman Welch called to order the regular meeting of the IROC at 9:36 a.m. Monica Foster conducted roll call, and a quorum was declared. Attendance is reflected below:

<b>Members:</b>	<b>Present</b>	<b>Absent</b>
Gail Welch, Chair	X	
Don Billings, Vice Chair	X	
Craig Chapman		X
Christopher Dull	X	
Gordon Hess	X	
Jeff Justus <i>arrived at 9:45</i>		X
Jack Kubota	X	
Tiffany Mittal	X	
Jim Peugh	X	
Irene Stallard-Rodriguez	X	
<b>Ex-Officio Members:</b>		
Luis Natividad, Metro JPA	X	
Ken Williams, City 10		X
Yen Tu, City 10 Alternate <i>arrived at 10:00</i>	X	

*City representatives present at dais: Tom Crane, Assistant Director; Tom Zeleny, Deputy City Attorney*

2. **Non-Agenda public comment**

None.

3. **Approval of Draft Minutes of January 21, 2014**

**ACTION:** Upon motion by Member Peugh to approve the Draft Minutes of January 21, 2014, and seconded by Vice Chair Billings, motion passed 8 (in favor)-0 (opposed).

4. **Chair updates** – *Chairwoman Welch*

- Reminder to IROC to file the Statement of Economic Form 700. Due date to complete online is April 1.
- She and Vice Chair Billings presented the IROC’s FY2013 Annual Report to City Council’s Committee on the Environment on March 15. The Report was accepted.
- Thanked the IROC and Department staff who participated in the March 10 Special Workshop to develop the FY2015 Work-Plan.
- Thanked Members Justus and Hess for volunteering to participate in the Department’s FY2015 Strategic Plan process, to begin in early May. She looks forward to the feedback as things go forward.
- Mentioned to Tom Crane, Assistant Director that IROC would like to stay current with the OCA Audits, and look forward to the briefing on the Risk Analysis before the end of the fiscal year.

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5. **City Staff updates** – *Tom Crane, Assistant Director*

Mr. Crane noted that Director Razak is out of town and was not able to present today. Lee Ann Jones-Santos, Deputy Director of Finance, gave a briefing on current items:

- **San Diego County Water Authority Cost of Service Study (COSS):** City staff remains engaged, there are no recommendations at this time. The Finance Subcommittee was briefed this morning on some additional details. As this moves forward, a presentation will be brought to full IROC.
- **Recycled Water Pricing Study:** Presented to IROC recently, and then to Council's Committee on the Environment. They asked to have the numbers reviewed, and Black & Veatch validated and updated figures. This will go forward to the Mayor, and then back to IROC, as well as share with the stakeholders.
- **Industrial Wastewater Control Program Audit:** Completed. Black & Veatch reviewed the Program costs and impact to all rate payers within the Wastewater program. An update is anticipated, but proceeding with finalizing this information toward the end of the month, then providing to the Mayor, and back to IROC and shareholders.

She noted that changes to the Recycled Water Pricing Study and the Industrial Wastewater Control Program cost changes will be rolled-in to the 2014-2015 COSS.

The Pure Water San Diego Program will be moved forward to Mayor Faulconer's office on Wednesday. Additionally, the Department will present to the City Council's Committee on the Environment on March 26 to share information, as well as a resolution of support for the program.

Member Kubota asked if the Purple Pipe will be continued to provide recycled water to those customers. Ms. Jones-Santos indicated that the plan is to continue the Purple Pipe program; however, there are no major CIP projects for recycled water in the current COSS or plan at this point. He asked if there is an option for Direct Potable Reuse (DPR). Ms. Jones-Santos indicated that it is being considered.

Member Peugh asked if the Participating Agencies are aware of the results of the Recycled Water Pricing Study. Ms. Jones-Santos indicated that no information has been shared at this time due to required Mayoral approval before information is released; however they are aware of where we are in the process, and once Mayoral approval is granted it will be shared.

6. **Mayor and Council Staff comments**

None.

7. **City 10 – San Diego County Water Authority (SDCWA) update** – *Ex-officio Yen Tu, Alternate*

This item was heard out of order and followed item 8.

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- MET Lawsuit was been won, final judgment is due to come.
- Masterplan is scheduled for March Board Meeting, which will include a public hearing.
- Drought situation continues.

Member Kubota commented that he heard that the Federal and State government are giving grants for drought relief. He asked if the CWA is coordinated with this effort. Ms. Tu indicated that CWA is in line, so to speak. She added it depends on when your application is submitted and what the needs are. The funding is mostly for storage issues. Lee Ann Jones-Santos, Deputy Director, commented that CWA did submit for the grant request and the City of San Diego did participate. Cathy Pieroni, Principal Water Resources Specialist, a portion is for immediate drought assistance allocated through the normal IRWMP process. More information will be provided as things move forward near this summer.

Vice Chair Billings asked for an update on the Water Authority's rates and charges as they relate to paying for the desalinated seawater project at Carlsbad. Ex-officio Tu indicated that the Water Authority formed a Fiscal Sustainability Task Force in 2012 to help deal with this issue and it has been meeting frequently since that time. Additionally, the full Water Authority Board has been participating in the discussion. No final decisions have been made yet, however some aspects may need to be concluded soon for the Water Authority to set its CY 2015 rates and charges. The results of these decisions will affect the City, which is why there is such robust review and discussion. Additionally, City staff has been involved with a Member Agency Task Force, reviewing complementary rate issues.

Ex-officio Tu anticipates that a full report regarding the Water Authority's rates and charges will be given to IROC soon, and IROC's input will be valuable. Vice Chair Billings suggested IROC be very actively engaged. Ex-officio Tu commented that City-10 is aware, and as soon as more information is available, the communication plan is to share this with IROC every step of the way. Lee Ann Jones-Santos, Deputy Director of Finance, added that City staff provides a monthly update on this subject to the Finance Subcommittee as well.

Member Hess asked an update for the SDCWA response to the Bay Delta proposal. Ex-officio Tu indicated they are in communications with Government Relations in Sacramento. This process is slowing down currently, because of the State extension. There are a lot of stakeholders in this process. She can bring an update back to IROC with timelines, etc.

8. **CIP Program Update** – *Darren Greenhalgh/Angela Colton/Guann Hwang*  
Mr. Greenhalgh presented the CIP mid-year report out (first 6 months of the fiscal year) through December 2013. He gave Water and Wastewater dash board information including new, completed, and awarded contracts for that period. He briefly reviewed the Water CIP project highlights.

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Mr. Greenhalgh provided a graph showing awarded cast iron mains for construction. He indicated it is right on target. He then showed Water planned vs. Actual expenditures, noting the Department is significantly behind, for many reasons. He then reviewed the Wastewater mileage update, indicating as of December, the Department was slightly ahead of schedule for completion of sewer mains. He added like the Water side, the Department is behind on expenditures to date for the fiscal year.

He discussed the CIP process improvements. Public Works is in the process of implementing a new online bidding process, and is a significant improvement to the contracting award process, simplifying the City's compliance with transparency requirements of Prop A and the Sunshine Act. The system will improve efficiency and cost savings for both the City and bidders.

Last, he provided routine spreadsheets of financials, schedules, and Change Order data, pointing out changes to the report.

Chairwoman Welch asked for information related to the expenditures being behind, and if there is an anticipated ramp-up that will level this out. Mr. Greenhalgh indicated at this point there will be under-spending. He indicated there will be an improvement in the next quarter. He added approximately 20% is due to contractor delays and billing, etc. He stated he can outline a number of changes in the next report out.

Member Peugh asked about getting analyzed condition information on pipes and valves as they are removed, to find out how things age, etc. Mr. Hwang commented that once they are dug up, forensics is performed. He added that for a/c pipe, there is now a condition assessment program which can perform computer simulation and site assessment. Samples are evaluated to determine cause of break based on tests, age, history, etc. and then can possibly be simulated to allow projections for the useful remaining life of each asset. This is currently for breaks, not for replacement; however that may be an option.

Member Kubota asked, in regard to the F Street Emergency Water Main Replacement on the Change Order log, if staff can give a calculation of what this water main would normally cost, if it were not in an emergency condition.

**9. FY2015 Annual Work-Plan**

Chairwoman Welch indicated the goal was to deliver the Work-Plan to the Committee on the Environment before May 1, and she thanked the members for their commitment in focusing time and effort into this. Since members had recently collaborated in subcommittee meetings as well as the recent Workshop to finalize their portions of the draft Work-Plan, Members shared their comments and motioned to approve.

**ACTION:** Upon motion by Member Dull and seconded by Vice Chair Billings, it was approved that the Work-Plan be accepted as amended by today's discussion, and giving David Bryant the authority make grammatical consistency and format changes. Motion passed 9-0.

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**10. Subcommittee Reports**

**a. Finance – Gordon Hess, Chair**

- Report out from staff on the SDCWA COSS, which is on-going.
- Update on the state of the Recycled Water Pricing Study and the Wastewater COSS.
- Presentation by staff on the Current Year Monitoring.
- Discussed the Work-Plan

**b. Infrastructure and Operations – Jim Peugh, Chair**

- Discussed the Work-Plan

**c. Outreach and Communications – Irene Stallard-Rodriguez, Chair**

- Update on the Pure Water San Diego branding, and discussed the consistency of the messaging.
- Discussed the Work-Plan.

**11. Metro JPA – Report Out**

None.

**12. Proposed Agenda Items for next/future IROC meeting**

- Update on the Department Budget to Finance Subcommittee and full IROC
- Update on the Branding efforts and timelines
- Nomination and selection of Chair of IROC in May
- Quarterly CIP update with additional details

Chairwoman Welch indicated to have the items to her or David Bryant by March 24.

**13. IROC Members' Comments**

None.

Meeting adjourned at 11:26 a.m.

Minutes submitted by: Monica Foster